

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Brownstown	County Wayne
Audit Date December 31, 2004	Opinion Date March 24, 2005	Date Accountant Report Submitted To State: June 9, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Charter Township of Brownstown Wayne County, Michigan

**Financial Report
with Supplemental Information
December 31, 2004**

Charter Township of Brownstown

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Statement of Revenue, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Proprietary Funds:	
Statement of Net Assets	14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16-17
Fiduciary Funds - Statement of Assets and Liabilities	18
Notes to Financial Statements	19-39
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Major Special Revenue Funds - Police Operation Fund	41
Budgetary Comparison Schedule - Major Special Revenue Funds - Fire Protection Fund	42
Budgetary Comparison Schedule - Major Special Revenue Funds - Capital Improvement Fund	43
Note to Required Supplemental Information	44-45

Charter Township of Brownstown

Contents (Continued)

Other Supplemental Information

Nonmajor Governmental Funds:	
Combining Balance Sheet	46-47
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	48-49
Fiduciary Funds - Combining Statement of Assets and Liabilities	50



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Charter Township Board
Charter Township of Brownstown
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Brownstown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Brownstown as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (as identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board
Charter Township of Brownstown
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Brownstown's basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

March 24, 2005

Charter Township of Brownstown

Management's Discussion and Analysis

Our discussion and analysis of the Charter Township of Brownstown's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2004. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2004:

- The DDA issued \$15,000,000 in bonds to purchase \$14,265,000 of land for the Town Center Development to be sold to developers in future years. Both the land and the related debt are recorded in the DDA.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$182,000 (7.3 percent) for 2004 from the 2003 figure.
- The General Fund unreserved fund balance decreased by \$257,000 in 2004. This was primarily caused by the transfer to the Police Operation Fund to pay for the recording of anticipated expenditures for police retroactive pay and benefits for 2003 and 2004. The amount designated for subsequent year's budget increased by \$183,500.
- The 2003 taxable value of the Township increased by 8.7 percent (the value used to calculate 2004 tax revenue), while the taxable value in the DDA district increased by 12.3 percent.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year:

Summary Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current assets	\$ 14,109,000	\$ 14,588,000	\$ 8,090,000	\$ 11,672,000	\$ 22,199,000	\$ 26,260,000
Noncurrent assets	22,931,000	22,547,000	63,557,000	60,652,000	86,488,000	83,199,000
Total assets	37,040,000	37,135,000	71,647,000	72,324,000	108,687,000	109,459,000
Liabilities						
Current liabilities	10,832,000	9,908,000	3,985,000	3,894,000	14,817,000	13,802,000
Long-term liabilities	9,344,000	9,628,000	13,232,000	14,636,000	22,576,000	24,264,000
Total liabilities	20,176,000	19,536,000	17,217,000	18,530,000	37,393,000	38,066,000
Net Assets						
Invested in capital assets -						
Net of related debt	12,791,000	12,490,000	46,615,000	42,484,000	59,406,000	54,974,000
Restricted	409,000	583,000	1,675,000	1,661,000	2,084,000	2,244,000
Unrestricted	3,664,000	4,526,000	6,140,000	9,649,000	9,804,000	14,175,000
Total net assets	<u>\$ 16,864,000</u>	<u>\$ 17,599,000</u>	<u>\$ 54,430,000</u>	<u>\$ 53,794,000</u>	<u>\$ 71,294,000</u>	<u>\$ 71,393,000</u>

The Township's combined net assets decreased less than 1 percent from a year ago, decreasing from \$71,393,000 to \$71,294,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets decreased by \$735,000 in governmental type and increased by \$636,000 in business type.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$862,000 for the governmental activities. This represents a decrease of approximately 19 percent. The current level of unrestricted net assets for our governmental activities stands at \$3,664,000, or about 22 percent of program expenses.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year and as compared to the prior year:

Summary Condensed Income Statement

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue						
Program revenue:						
Charges for services	\$ 5,152,000	\$ 5,127,000	\$ 6,352,000	\$ 5,830,000	\$ 11,504,000	\$ 10,957,000
Operating grants and contributions	185,000	444,000	4,000	-	189,000	444,000
Capital grants and contributions	1,158,000	2,209,000	87,000	1,555,000	1,245,000	3,764,000
General revenue:						
Property taxes	6,928,000	6,297,000	1,496,000	1,421,000	8,424,000	7,718,000
State-shared revenue	2,294,000	2,476,000	-	-	2,294,000	2,476,000
Investment earnings	72,000	71,000	122,000	109,000	194,000	180,000
Cable franchise fees	237,000	227,000	-	-	237,000	227,000
Gain (loss) on sale of assets	(9,000)	(45,000)	-	1,000	(9,000)	(44,000)
Miscellaneous	15,000	12,000	-	-	15,000	12,000
Transfers and other revenue (expense)	33,000	24,000	(33,000)	(24,000)	-	-
Total revenue	16,065,000	16,842,000	8,028,000	8,892,000	24,093,000	25,734,000
Program Expenses						
General government	2,730,000	3,681,000	-	-	2,730,000	3,681,000
Public safety	9,233,000	8,703,000	-	-	9,233,000	8,703,000
Public works	1,773,000	1,252,000	-	-	1,773,000	1,252,000
Community and economic development	1,397,000	1,504,000	-	-	1,397,000	1,504,000
Recreation and culture	1,253,000	1,000,000	-	-	1,253,000	1,000,000
Interest on long-term debt	414,000	478,000	-	-	414,000	478,000
Water and sewer	-	-	7,392,000	7,035,000	7,392,000	7,035,000
Total program expenses	16,800,000	16,618,000	7,392,000	7,035,000	24,192,000	23,653,000
Change in Net Assets	\$ (735,000)	\$ 224,000	\$ 636,000	\$ 1,857,000	\$ (99,000)	\$ 2,081,000

Governmental Activities

The Township's total governmental revenues decreased by approximately \$777,000. This decrease, which represents 4.6 percent, was primarily due to capital asset purchases contributed to the general government by the DDA in 2003. Property taxes increased by \$631,000, but state-shared revenue, building permits, and operating grants decreased.

Expenses increased by about \$182,000 (1 percent) during the year. Even though expenses increased in the General, Police Operation, and Fire Protection Funds by approximately \$1.1 million, these increases were offset by decreases in the Capital Projects and Fire Improvement Funds of \$783,000. Other governmental funds had increases or decreases in smaller amounts, resulting in the net increase of only 1 percent.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Water and Sewer Funds. We provide water to residents from the Detroit water system. We provide sewage treatment through the South Huron Valley Utility Authority and the Downriver Sewerage System. The net assets of both activities increased in 2004 partly due to contribution of water mains from developers and an increase in the Township's investment in the South Huron Valley Utility Authority.

The Township's Funds

Our analysis of the Township's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major governmental-type funds for 2004 include the General Fund, the Police Operation Fund, the Fire Protection Fund, and the Capital Improvement Fund. The business-type funds are the Sanitary Sewer Fund and the Water Fund.

The General Fund pays for most of the Township's governmental services including transfers to Police and Fire Funds to balance their budgets. The most significant costs are police and fire activities, which incurred expenses of approximately \$5,262,000 and \$3,136,000, respectively, in 2004. These two services are supported by special millages that are recorded in their individual Special Revenue Funds. These funds also record the transfers from the General Fund. The amount transferred from the General Fund is determined by the amount needed to balance the budgets as approved by the Township board. During the current year, this amounted to approximately \$2,010,000. This transfer was about \$255,000 more than the prior year. The increased reliance on the General Fund was primarily because the anticipated police retroactive pay and benefits for 2003 and 2004 for the MAP union were recorded in the current year.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was to increase the operating transfers to police and fire funds by a total of \$280,000 and increase the estimated special assessment revenue for sanitation collection by \$189,000 and building and inspection fees and permits by \$155,000 along with corresponding expenditures. The budget for state-shared revenue was decreased by \$237,000. The increase in building and inspection fees is related to continuing growth in building activity within the Township. Most departmental budgets were amended upward to account for the increase in health insurance premiums. Township departments overall stayed below the amended budget amounts, resulting in total expenditures and transfers of \$189,000 below budget. The overall actual expenditures and transfers were greater than revenue so the General Fund's undesignated fund balance decreased from \$1,821,000 a year ago to \$1,380,000 at December 31, 2004, representing 9.2 percent of 2005 combined budgeted expenditures for the General Fund and Police Operation and Fire Protection Funds. Last year this figure was 13 percent of 2004 combined budgeted expenditures for the same funds.

Charter Township of Brownstown

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2004, the Township had \$83,000,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation. In addition, the Township has invested significantly in roads within the Township. These assets, worth nearly \$4,775,000, net of related accumulated depreciation, are reported in the Township's financial statements as investment in infrastructure. Because Michigan law makes these roads the property of Wayne County Road Commission, along with the responsibility to maintain them, they are listed road usage rights.

During 2004, the Township's component unit, the Downtown Development Authority, purchased two pieces of property along King Road between the bus garage and historical building for a total of \$422,000 to be used for Township purposes and floated \$15,000,000 in bonds to purchase approximately 75 acres of property in the West Road/Telegraph Road area that will be sold to developers in the future to construct the Town Center Project. This project is a proposed "new urbanism" concept designed to bring retail, residential, commercial, civic, and recreational spaces together in a pedestrian-friendly environment. The residential portion will consist of single-family detached houses, single-family attached townhouses, and multi-family apartments. The commercial portion will entail retail stores and office space.

During the year, the Township retired approximately \$1.9 million of debt. At the end of the year, the Township had \$9.3 million in bonds and notes outstanding for governmental-type activities compared to \$9.8 million at December 31, 2003, while business-type activities, all in the Sewer Fund, had \$14.0 million outstanding at the end of the year compared to \$15.4 million in the prior year.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year calls for property tax rates a tenth of a mill less than levied for the 2004 budget. This can be accomplished because of the strong growth in our tax base. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

We anticipate the water rates will increase in 2005 equal to the rate increase imposed by the Detroit water board as permitted per Township ordinance.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Charter Township of Brownstown

Statement of Net Assets December 31, 2004

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 7,965,477	\$ 6,133,567	\$ 14,099,044	\$ 5,242,126
Receivables - Net (Note 4)	6,121,862	1,908,947	8,030,809	4,565
Inventories	15,619	46,978	62,597	-
Prepaid costs and other assets	5,858	423	6,281	-
Long-term receivable - Lease agreements	78,000	-	78,000	-
Restricted assets (Note 9)	-	1,675,361	1,675,361	2,338,162
Investment in joint venture (Note 14)	1,002,440	662,906	1,665,346	-
Land held for resale (Note 8)	-	-	-	14,265,000
Nondepreciable capital assets (Note 5)	4,188,969	10,226,020	14,414,989	-
Depreciable capital assets - Net (Note 5)	17,662,175	50,992,308	68,654,483	-
Total assets	37,040,400	71,646,510	108,686,910	21,849,853
Liabilities				
Accounts payable	581,813	614,956	1,196,769	68,494
Accrued and other liabilities	466,760	62,659	529,419	-
Deposits	73,982	243,745	317,727	-
Escrows	649,450	55,149	704,599	-
Deferred revenue (Note 4)	8,229,434	1,558,512	9,787,946	3,523,294
Compensated absences:				
Due within one year	335,358	35,292	370,650	-
Due in more than one year	518,438	9,855	528,293	-
Current liabilities payable from restricted assets (Note 9)	-	591,161	591,161	2,073,948
Long-term debt (Note 7):				
Due within one year	495,654	823,393	1,319,047	-
Due in more than one year	8,825,184	13,222,138	22,047,322	15,000,000
Total liabilities	20,176,073	17,216,860	37,392,933	20,665,736
Net Assets				
Invested in capital assets - Net of related debt	12,791,316	46,614,609	59,405,925	
Restricted:				
Construction code activities (Note 2)	171,236	-	171,236	-
Solid waste	113,843	-	113,843	-
Drug forfeiture	123,856	-	123,856	-
Capital projects	-	514,848	514,848	-
Debt service	-	1,160,513	1,160,513	-
Unrestricted	3,664,076	6,139,680	9,803,756	1,184,117
Total net assets	\$ 16,864,327	\$ 54,429,650	\$ 71,293,977	\$ 1,184,117

Charter Township of Brownstown

	Program Revenues		
	Charges for	Operating	Capital Grants
Expenses	Services	Grants and Contributions	and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 2,730,163	\$ 1,643,690	\$ 41,695
Public safety	9,232,589	1,156,808	36,110
Public works	1,772,711	769,802	57,270
Community and economic development	1,396,970	1,210,559	-
Recreation and culture	1,253,343	371,162	50,350
Interest on long-term debt	413,691	-	-
Total governmental activities	16,799,467	5,152,021	185,425
Business-type activities - Water and sewer	7,392,452	6,352,152	3,784
Total primary government	<u>\$ 24,191,919</u>	<u>\$ 11,504,173</u>	<u>\$ 189,209</u>
Component unit - Downtown Development Authority	<u>\$ 2,509,691</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Investment earnings			
Cable franchise fees			
Loss on sale of capital assets			
Miscellaneous			
Transfers/Contributions			
Total general revenues and transfers/contributions			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$ (473,750)	\$ -	\$ (473,750)	\$ -
(7,452,969)	-	(7,452,969)	-
(945,639)	-	(945,639)	-
(186,411)	-	(186,411)	-
(831,831)	-	(831,831)	-
(413,691)	-	(413,691)	-
(10,304,291)	-	(10,304,291)	-
-	(949,856)	(949,856)	-
(10,304,291)	(949,856)	(11,254,147)	-
-	-	-	(2,509,691)
6,927,948	1,496,388	8,424,336	2,895,132
2,294,043	-	2,294,043	-
72,023	121,636	193,659	27,960
237,107	-	237,107	-
(8,511)	-	(8,511)	-
14,927	-	14,927	-
32,563	(32,563)	-	-
9,570,100	1,585,461	11,155,561	2,923,092
(734,191)	635,605	(98,586)	413,401
17,598,518	53,794,045	71,392,563	770,716
\$ 16,864,327	\$ 54,429,650	\$ 71,293,977	\$ 1,184,117

Charter Township of Brownstown

Governmental Funds Balance Sheet December 31, 2004

	General Fund	Police Operation Fund	Fire Protection Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 2,503,909	\$ 2,050,335	\$ 802,310	\$ 362,295	\$ 2,219,737	\$ 7,938,586
Receivables - Net (Note 4)	1,728,165	2,599,337	989,026	6,000	773,043	6,095,571
Prepaid costs and other assets	1,671	2,420	538	-	1,171	5,800
Long-term receivable - Lease agreements	-	-	-	78,000	-	78,000
Total assets	<u>\$ 4,233,745</u>	<u>\$ 4,652,092</u>	<u>\$ 1,791,874</u>	<u>\$ 446,295</u>	<u>\$ 2,993,951</u>	<u>\$ 14,117,957</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 287,713	\$ 62,241	\$ 25,441	\$ 6,486	\$ 134,314	\$ 516,195
Accrued and other liabilities	99,180	263,609	33,325	-	-	396,114
Deposits	73,982	-	-	-	-	73,982
Escrows	534,450	-	-	-	115,000	649,450
Deferred revenue (Note 4)	<u>1,380,984</u>	<u>4,326,242</u>	<u>1,733,108</u>	<u>84,000</u>	<u>1,014,691</u>	<u>8,539,025</u>
Total liabilities	2,376,309	4,652,092	1,791,874	90,486	1,264,005	10,174,766
Fund Balances						
Reserved for:						
Construction code activities (Note 2)	171,236	-	-	-	-	171,236
Solid waste	113,843	-	-	-	-	113,843
Long-term receivable	-	-	-	78,000	-	78,000
Road construction	-	-	-	-	261,010	261,010
Unreserved, reported in General Fund:						
Designated for subsequent year's budget	192,038	-	-	-	-	192,038
Undesignated	<u>1,380,319</u>	-	-	-	-	<u>1,380,319</u>
Unreserved, reported in Special Revenue Funds:						
Designated for subsequent year's budget	-	-	-	49,800	66,822	116,622
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,009</u>	<u>1,402,114</u>	<u>1,630,123</u>
Total fund balances	<u>1,857,436</u>	<u>-</u>	<u>-</u>	<u>355,809</u>	<u>1,729,946</u>	<u>3,943,191</u>
Total liabilities and fund balances	<u>\$ 4,233,745</u>	<u>\$ 4,652,092</u>	<u>\$ 1,791,874</u>	<u>\$ 446,295</u>	<u>\$ 2,993,951</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	21,847,695
Investment in District Court assets is not a financial resource and is not reported in the funds	1,002,440
Delinquent personal property taxes receivable are expected to be collected over several years and are not available to pay for current year expenditures	31,712
Grant revenues not received within 60 days of year end and are not available to pay for current year expenditures	62,620
Ambulance fee receivables are expected to be collected over several years and are not available to pay for current year expenditures	131,260
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	84,000
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(10,169,272)
Accrued interest on long-term liabilities is not due and payable in the current period and is not reported in the funds	(69,319)
Net assets of governmental activities	<u>\$ 16,864,327</u>

Charter Township of Brownstown

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2004

	General Fund	Police Operation Fund	Fire Protection Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 891,060	\$ 3,810,075	\$ 1,408,104	\$ -	\$ 818,709	\$ 6,927,948
Licenses and permits	1,665,166	-	-	-	-	1,665,166
Federal grants	57,270	-	2,495	-	100,400	160,165
State-shared revenues and grants	2,294,043	-	-	-	-	2,294,043
Charges for services	698,339	-	-	-	-	698,339
District Court and other fines	959,869	-	-	-	-	959,869
Interest and rentals	35,623	8,469	1,567	4,487	21,877	72,023
Special assessments	755,064	-	-	-	-	755,064
Debt charges	-	-	-	-	639,716	639,716
Other	131,559	439,047	645,298	10,706	136,018	1,362,628
Total revenue	7,487,993	4,257,591	2,057,464	15,193	1,716,720	15,534,961
Expenditures						
Current:						
General government	2,351,971	-	-	-	-	2,351,971
Public safety	143,419	5,139,288	3,058,296	-	47,558	8,388,561
Community and economic development	2,716,957	-	-	5,492	93,365	2,815,814
Recreation and culture	1,101,182	-	-	-	-	1,101,182
Employee benefits and insurance	65,174	-	-	-	117,178	182,352
Other	-	-	-	-	78	78
Capital outlay	-	-	-	202,350	959,250	1,161,600
Debt service	-	-	-	-	887,832	887,832
Total expenditures	6,378,703	5,139,288	3,058,296	207,842	2,105,261	16,889,390
Excess of Revenue Over (Under) Expenditures	1,109,290	(881,697)	(1,000,832)	(192,649)	(388,541)	(1,354,429)
Other Financing Sources (Uses)						
Transfers in	566,974	1,004,072	1,078,410	-	561,371	3,210,827
Transfers out	(2,088,532)	(122,375)	(77,578)	-	(887,085)	(3,175,570)
Total other financing sources (uses)	(1,521,558)	881,697	1,000,832	-	(325,714)	35,257
Net Change in Fund Balances	(412,268)	-	-	(192,649)	(714,255)	(1,319,172)
Fund Balances - Beginning of year	2,269,704	-	-	548,458	2,444,201	5,262,363
Fund Balances - End of year	<u>\$ 1,857,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,809</u>	<u>\$ 1,729,946</u>	<u>\$ 3,943,191</u>

Charter Township of Brownstown

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (1,319,172)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 1,574,150

In the statement of activities, the loss on sale of assets is recorded and in the funds the proceeds from sale of assets are reported (29,778)

Depreciation on capital assets reported as part of governmental activities (1,129,336)

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) 33,812

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 456,869

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (334,737)

Decrease in interest expense is recorded when incurred in the statement of activities 17,272

Internal Service Funds are also included as governmental activities (3,271)

Change in Net Assets of Governmental Activities \$ (734,191)

Charter Township of Brownstown

Proprietary Funds Statement of Net Assets December 31, 2004

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,074,771	\$ 1,537,688	\$ 3,612,459	\$ 26,891
Investments	2,521,108	-	2,521,108	-
Receivables (Note 4)	1,461,316	447,631	1,908,947	26,291
Inventories	-	46,978	46,978	15,619
Prepaid costs and other assets	211	212	423	58
Total current assets	6,057,406	2,032,509	8,089,915	68,859
Noncurrent assets:				
Restricted assets (Note 9)	1,192,925	482,436	1,675,361	-
Investment in joint venture (Note 14)	662,906	-	662,906	-
Nondepreciable capital assets (Note 5)	10,226,020	-	10,226,020	-
Depreciable capital assets - Net (Note 5)	36,975,193	14,017,115	50,992,308	3,449
Total noncurrent assets	49,057,044	14,499,551	63,556,595	3,449
Total assets	55,114,450	16,532,060	71,646,510	72,308
Liabilities				
Current liabilities:				
Accounts payable	266,241	348,715	614,956	65,618
Accrued and other liabilities	57,853	4,806	62,659	1,328
Deposits	233,310	10,435	243,745	-
Escrows	-	55,149	55,149	-
Deferred revenue (Note 4)	1,558,512	-	1,558,512	-
Current portion of compensated absences	11,722	23,570	35,292	3,204
Current liabilities payable from restricted assets (Note 9)	591,161	-	591,161	-
Current portion of long-term debt (Note 7)	823,393	-	823,393	-
Total current liabilities	3,542,192	442,675	3,984,867	70,150
Noncurrent liabilities:				
Provision for compensated absences	3,021	6,834	9,855	2,158
Long-term debt - Net of current portion (Note 7)	13,222,138	-	13,222,138	-
Total noncurrent liabilities	13,225,159	6,834	13,231,993	2,158
Total liabilities	16,767,351	449,509	17,216,860	72,308
Net Assets				
Investment in capital assets - Net of related debt	32,597,494	14,017,115	46,614,609	3,449
Restricted net assets	1,192,925	482,436	1,675,361	-
Unrestricted	4,556,680	1,583,000	6,139,680	(3,449)
Total net assets	\$ 38,347,099	\$ 16,082,551	\$ 54,429,650	\$ -

Charter Township of Brownstown

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	Major Enterprise Funds			Internal Service - Vehicle Maintenance
	Sanitary Sewer	Water	Total	
Operating Revenue				
Sale of water	\$ -	\$ 3,210,406	\$ 3,210,406	\$ -
Sewage disposal charges	2,532,304	-	2,532,304	-
Charges for services	-	-	-	155,061
Other	122,903	107,954	230,857	1,216
Total operating revenue	2,655,207	3,318,360	5,973,567	156,277
Operating Expenses				
Cost of water	-	1,877,389	1,877,389	-
Cost of sewage disposal	1,327,402	-	1,327,402	-
Operation and maintenance	607,450	614,549	1,221,999	155,994
General and administrative	378,428	369,386	747,814	-
Depreciation	1,265,268	511,049	1,776,317	860
Total operating expenses	3,578,548	3,372,373	6,950,921	156,854
Operating Loss	(923,341)	(54,013)	(977,354)	(577)
Nonoperating Income (Expense)				
Property taxes	1,496,388	-	1,496,388	-
Federal grants	1,892	1,892	3,784	-
Connection fees	145,951	84,400	230,351	-
Increase in investment in joint venture	148,234	-	148,234	-
Investment income	106,076	15,560	121,636	-
Interest expense	(441,531)	-	(441,531)	-
Total nonoperating income (expense)	1,457,010	101,852	1,558,862	-
Income (Loss) - Before capital contributions	533,669	47,839	581,508	(577)
Capital Contributions - Lines constructed by developers	-	86,660	86,660	-
Total capital contributions	-	86,660	86,660	-
Transfers in from Other Funds	-	73,327	73,327	-
Transfers to Other Funds	(89,002)	(16,888)	(105,890)	(2,694)
Total transfers to/from other funds	(89,002)	56,439	(32,563)	(2,694)
Change in Net Assets	444,667	190,938	635,605	(3,271)
Net Assets - Beginning of year	37,902,432	15,891,613	53,794,045	3,271
Net Assets - End of year	<u>\$ 38,347,099</u>	<u>\$ 16,082,551</u>	<u>\$ 54,429,650</u>	<u>\$ -</u>

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2004

	Major Enterprise Funds			Governmental Activities
	Sanitary Sewer	Water	Total	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,457,130	\$ 3,047,079	\$ 5,504,209	\$ -
Payments to suppliers	(1,663,468)	(2,158,935)	(3,822,403)	(31,558)
Payments to employees	(567,341)	(630,497)	(1,197,838)	(91,992)
Internal activity - Receipts from other funds	-	-	-	151,919
Other receipts	122,903	107,954	230,857	1,216
Net cash provided by operating activities	349,224	365,601	714,825	29,585
Cash Flows from Noncapital and Related Financing Activities				
Transfers to/from other funds	(89,002)	56,439	(32,563)	(2,694)
Receipts from federal grants	1,892	1,892	3,784	-
Net cash (used in) provided by noncapital and related financing activities	(87,110)	58,331	(28,779)	(2,694)
Cash Flows from Capital and Related Financing Activities				
Proceeds from property taxes	1,468,452	-	1,468,452	-
Purchase of capital assets	(4,240,270)	(191,475)	(4,431,745)	-
Connection fees	145,951	84,400	230,351	-
Principal and interest paid on capital debt	(1,436,581)	-	(1,436,581)	-
Deposit with County for debt	(377,495)	-	(377,495)	-
Net cash used in capital and related financing activities	(4,439,943)	(107,075)	(4,547,018)	-
Cash Flows from Investing Activities				
Interest received on investments	50,513	15,560	66,073	-
Purchase of investment securities	(1,944,180)	-	(1,944,180)	-
Net cash provided by (used in) investing activities	(1,893,667)	15,560	(1,878,107)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(6,071,496)	332,417	(5,739,079)	26,891
Cash and Cash Equivalents - Beginning of year	8,653,665	1,670,306	10,323,971	-
Cash and Cash Equivalents - End of year	\$ 2,582,169	\$ 2,002,723	\$ 4,584,892	\$ 26,891
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,074,771	\$ 1,537,688	\$ 3,612,459	\$ 26,891
Restricted investments (Note 3)	507,399	465,035	972,434	-
Total cash and cash equivalents	\$ 2,582,170	\$ 2,002,723	\$ 4,584,893	\$ 26,891

Charter Township of Brownstown

Proprietary Funds Statement of Cash Flows (Continued) Year Ended December 31, 2004

	Major Enterprise Funds			Governmental
	Sanitary Sewer	Water	Total	Internal Service Fund
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (923,341)	\$ (54,013)	\$ (977,354)	\$ (577)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	1,265,268	511,049	1,776,317	860
Changes in assets and liabilities:				
Receivables	(25,024)	(82,672)	(107,696)	(3,142)
Inventories	-	(155)	(155)	328
Prepaid costs and other assets	12	(25)	(13)	(5)
Accounts payable	92,152	78,220	170,372	31,004
Accrued and other liabilities	(59,843)	(86,803)	(146,646)	1,117
Net cash provided by operating activities	\$ 349,224	\$ 365,601	\$ 714,825	\$ 29,585

Noncash Investing, Capital, and Financing Activities - During 2004, the County paid principal, interest, and fees in the amount of \$402,393 on behalf of the Township related to County Sewage Disposal System Bonds. The assets held at the County for construction and debt service earned interest of \$14,953. In addition, developers contributed water fixed assets totaling \$86,660 during 2004.

Charter Township of Brownstown

Fiduciary Funds Statement of Assets and Liabilities December 31, 2004

	<u>Agency Funds</u>
Assets - Cash and investments	<u><u>\$ 2,413,564</u></u>
Liabilities - Due to other governmental units	<u><u>\$ 2,413,564</u></u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Brownstown (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Brownstown:

Reporting Entity

The Charter Township of Brownstown is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are separate legal entities, in substance, they are part of the Township's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Township.

Blended Component Units

The Brownstown Building Authority is governed by a board that is appointed by the Township's board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its primary purpose is to construct assets for the Township.

Discretely Presented Component Units

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the district, encourage historical preservation, and to promote economic growth within the district. The DDA's governing body, which consists of nine individuals, is approved by the Township's board of trustees. In addition, the DDA's budget is subject to approval by the Township board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township. The financial information included in the separate column is condensed. Complete financial statements of the DDA can be obtained from the Township offices at 21313 Telegraph Road, Brownstown Township, Michigan.

The Brownfield Redevelopment Financing Authority (the "Authority") was established pursuant to Public Act 381 of 1996. The Authority was created to promote revitalization of environmentally distressed areas within the boundaries of the Township. The Authority had no financial activity during the year ended December 31, 2004.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Jointly Governed Organization

Jointly governed organizations are discussed in Note 14.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements, ambulance fees, and land contracts will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue."

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Operation Fund and the Fire Protection Fund account for the activities of the police and fire departments requiring separate accounting because of special tax levies to fund operations.

The Capital Improvement Fund accounts for activities relating to capital acquisitions for the Township.

The Township reports the following major Enterprise Funds:

The Water Fund and Sanitary Sewer Fund account for the results of operations for providing water and sewer service to the citizens and businesses of the Township. The funds' primary revenues are generated through user charges from those requesting water and sewer services.

Additionally, the Township reports the following fund types:

The Internal Service Fund - Vehicle Maintenance Fund accounts for the financing and maintenance of Township vehicles provided by one department or agency to other departments or agencies of the Township, or to other governments, mainly on a cost-reimbursement basis.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Agency Funds account for assets held by the Township as an agent for individuals, organizations, and other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water Fund and Sanitary Sewer Fund also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at December 31.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2003 taxable valuation of the Township totaled \$743 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 0.8730 mills for operating purposes, 2.0000 mills for fire assessment, 5.7460 mills for police operations and assessment, 0.4786 mills for police capital improvement, 1.0000 mills for sewer debt service, 0.7000 mills for SHVUA debt service, 0.4786 mills for fire capital improvement, 0.4786 mills for road capital improvement, and 0.5000 mills for EPA. This resulted in \$497,000 for operating purposes, \$1.4 million for fire assessment, \$3.8 million for police operations and assessment, \$272,000 for police capital improvement, \$569,000 for sewer debt service, \$528,000 for SHVUA debt service, \$272,000 for fire capital improvement, \$272,000 for road capital improvement, and \$377,000 for EPA. These amounts, in addition to collection fees, interest, and penalties, are recognized in the respective General, Special Revenue, and Enterprise Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, furniture, equipment, and infrastructure assets (e.g., road usage rights and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and having a useful life in excess of one year, although assets purchased under that threshold may be capitalized at the Township's discretion. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Road usage rights	20 years
Land improvements	15 to 20 years
Utility systems	40 to 45 years
Buildings and improvements	20 to 50 years
Vehicles	5 to 15 years
Office furnishings	10 to 20 years
Other tools, machinery, and equipment	5 to 20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative surplus at January 1, 2004	\$ 296,868
Current year building permit revenue	1,189,090
Related expenses:	
Direct costs	1,210,977
Estimated indirect costs	<u>103,745</u>
Total construction code expenses	<u>1,314,722</u>
Reserved fund balance at December 31, 2004	<u><u>\$ 171,236</u></u>

Fund Deficits - The Township has an accumulated fund deficit in the Special Revenue - CDBG Fund. The deficit is the result of a federal reimbursement of eligible costs not being received within 60 days of year end. The Township expects to receive these funds in the upcoming fiscal year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated eight banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Charter Township of Brownstown's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 7,965,477	\$ 6,133,567	\$ 2,413,564	\$ 16,512,608	\$ 5,242,126
Restricted assets (Note 9)	-	972,434	-	972,434	2,338,162
Total	<u>\$ 7,965,477</u>	<u>\$ 7,106,001</u>	<u>\$ 2,413,564</u>	<u>\$ 17,485,042</u>	<u>\$ 7,580,288</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 17,204,855	\$ 7,580,288
Investments in securities and similar vehicles	278,637	-
Petty cash or cash on hand	<u>1,550</u>	<u>-</u>
Total	<u>\$ 17,485,042</u>	<u>\$ 7,580,288</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 3 - Deposits and Investments (Continued)

Deposits

The bank balance of the Township's deposits is \$12,653,000, of which \$602,000 is covered by federal depository insurance and \$12,051,000 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component unit's deposits had a bank balance of \$7,580,000, of which \$200,000 was covered by federal depository insurance and \$7,380,000 was uninsured and uncollateralized.

Investments

The Township's investments during the year consisted of bank investment pools of \$278,637. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, these funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Township believes that the investments in these funds comply with the investment authority noted above.

Note 4 - Receivables and Deferred Revenue

Receivables as of year end for the Township's individual major funds, the nonmajor and Internal Service Funds in the aggregate, and the component unit are as follows:

	General Fund	Police Operation Fund	Fire Protection Fund	Capital Improvement Fund	Nonmajor Governmental and Other Funds	Sanitary Sewer Fund	Water Fund	Total
Receivables:								
Taxes	\$ 812,046	\$ 2,555,228	\$ 853,121	\$ -	\$ 700,363	\$ 1,006,015	\$ -	\$ 5,926,773
Accounts	-	-	156,262	-	-	423,081	429,686	1,009,029
Intergovernmental	-	-	-	-	62,617	-	-	62,617
Interest and other	916,119	44,109	4,645	6,000	36,354	32,220	17,945	1,057,392
Less allowance for uncollectibles	-	-	(25,002)	-	-	-	-	(25,002)
Net receivables	<u>\$ 1,728,165</u>	<u>\$ 2,599,337</u>	<u>\$ 989,026</u>	<u>\$ 6,000</u>	<u>\$ 799,334</u>	<u>\$ 1,461,316</u>	<u>\$ 447,631</u>	<u>\$ 8,030,809</u>

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 4 - Receivables and Deferred Revenue (Continued)

The Township records deferred revenue for property taxes billed as of December 1 that are to be used in the next year's budget. In addition, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reflected in governmental funds are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Land contracts	\$ 84,000	\$ -
Property taxes for subsequent year	-	8,193,628
Delinquent property taxes	31,711	-
Grant reimbursement	62,620	-
Lien reimbursement	-	35,806
Ambulance fees - Net of allowance	<u>131,260</u>	<u>-</u>
Total	<u>\$ 309,591</u>	<u>\$ 8,229,434</u>

Deferred revenue in business-type activities and the component unit consists of unearned property taxes for the subsequent year.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Governmental Activities				
General fixed assets - Land	\$ 3,735,443	\$ 453,526	\$ -	\$ 4,188,969
General fixed assets being depreciated:				
Road usage rights	5,948,937	595,503	-	6,544,440
Land improvements	568,700	107,249	-	675,949
Buildings and improvements	12,013,374	4,800	-	12,018,174
Vehicles	3,401,767	280,594	120,609	3,561,752
Office furnishings	646,403	16,658	-	663,061
Other tools, machinery, and equipment	2,245,846	115,820	-	2,361,666
Subtotal	24,825,027	1,120,624	120,609	25,825,042
Accumulated depreciation:				
Road usage rights	1,456,808	312,334	-	1,769,142
Land improvements	306,847	30,422	-	337,269
Buildings and improvements	2,542,306	235,710	-	2,778,016
Vehicles	1,620,195	265,720	90,830	1,795,085
Office furnishings	222,127	44,414	-	266,541
Other tools, machinery, and equipment	979,527	240,736	-	1,220,263
Subtotal	7,127,810	1,129,336	90,830	8,166,316
Net general fixed assets being depreciated	17,697,217	(8,712)	29,779	17,658,726
Net general fixed assets	21,432,660	444,814	29,779	21,847,695
Internal service assets:				
Internal service assets being depreciated -				
Other tools, machinery, and equipment	12,342	-	-	12,342
Accumulated depreciation - Other tools, machinery, and equipment	8,033	860	-	8,893
Net internal service assets being depreciated	4,309	(860)	-	3,449
Net total capital assets	\$ 21,436,969	\$ 443,954	\$ 29,779	\$ 21,851,144

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 5 - Capital Assets (Continued)

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 203,749	\$ -	\$ -	\$ 203,749
Construction in progress	6,036,753	3,985,518	-	10,022,271
Subtotal	6,240,502	3,985,518	-	10,226,020
Capital assets being depreciated:				
Utility systems	63,309,503	466,342	-	63,775,845
Buildings and improvements	10,472,085	-	-	10,472,085
Vehicles	540,942	61,922	-	602,864
Other tools, machinery, and equipment	778,117	4,623	-	782,740
Subtotal	75,100,647	532,887	-	75,633,534
Accumulated depreciation:				
Utility systems	21,131,950	1,414,907	-	22,546,857
Buildings and improvements	883,686	237,651	-	1,121,337
Vehicles	385,331	65,909	-	451,240
Other tools, machinery, and equipment	463,942	57,850	-	521,792
Subtotal	22,864,909	1,776,317	-	24,641,226
Net capital assets being depreciated	52,235,738	(1,243,430)	-	50,992,308
Net capital assets	\$ 58,476,240	\$ 2,742,088	\$ -	\$ 61,218,328

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 436,477
Public safety	585,113
Public works	10,542
Community and economic development	15,306
Recreation and culture	81,898
Internal Service Fund depreciation is charged to various functions based on their usage of the asset	860
Total governmental activities	\$ 1,130,196

Business-type activities:

Water	\$ 1,265,268
Sewer	511,049
Total business-type activities	\$ 1,776,317

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 6 - Interfund Transfers

The composition of interfund transfers is as follows:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Operation Fund (1)	\$ 932,077
	Fire Protection Fund (2)	1,078,410
	Retiree Insurance Fund	<u>78,045</u>
	Total General Fund	2,088,532
Police Operation Fund	Retiree Insurance Fund	122,375
Fire Protection Fund	Retiree Insurance Fund	77,578
Sanitary Sewer Fund	Water Fund (4)	73,327
	Retiree Insurance Fund	<u>15,675</u>
	Total Sanitary Sewer Fund	89,002
Water Fund	Retiree Insurance Fund	16,888
Nonmajor governmental funds	General Fund (3)	566,974
	Police Operation Fund (1)	71,995
	Debt Service Fund	<u>248,116</u>
	Total nonmajor governmental funds	887,085
Internal Service Fund	Retiree Insurance Fund	<u>2,694</u>
	Total	<u>\$ 3,284,154</u>

(1) Transfer for police operation expenditures

(2) Transfer for fire protection expenditures

(3) Transfer for police and fire capital improvements and road improvements

(4) Transfer for funding of half the cost of water meters purchased

Additionally, the Downtown Development Authority (DDA) is paying certain dollars to the Township for police and fire services based on the area covered by the DDA. The total amount spent by the DDA related to these services during 2004 was \$350,000.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Addition/ (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General obligation bonds:						
Police Facility Bonds - 1997	4.800% -	\$135,000 -	\$ 6,135,000	\$ (125,000)	\$ 6,010,000	\$ 135,000
Amount of issue - \$6,765,000	7.250%	\$450,000				
Maturing through 2022						
Township Hall Renovation Bonds:	3.750% -	\$60,000 -	1,150,000	(55,000)	1,095,000	60,000
Amount of issue - \$1,200,000	4.625%	\$115,000				
Maturing through 2017						
Capital Improvement Road Bonds - 2003	2.000% -	\$85,000 -	995,000	(65,000)	930,000	85,000
Amount of issue - \$995,000	3.450%	\$120,000				
Maturing through 2013						
Contractual obligations:						
Fire truck - 2000	5.020%	\$45,755 -	622,707	(43,518)	579,189	45,755
Loan amount - \$750,000		\$71,813				
Maturing through 2014						
Land contract - 2003 (bus garage)	0.000%	\$112,500	450,000	(112,500)	337,500	112,500
Contract amount - \$700,000						
Payable through 2007						
Fire truck - 2003	2.770%	\$57,399 -	425,000	(55,851)	369,149	57,399
Lease/Purchase - \$425,000		\$65,804				
Payable through 2010						
Total governmental activities			\$ 9,777,707	\$ (456,869)	\$ 9,320,838	\$ 495,654

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Addition/ (Reductions)	Ending Balance	Due Within One Year
Business-type Activities						
Sewer:						
Wayne County Sewage Disposal System Bonds - 1967	4.100%	\$235,000 - \$240,000	\$ 715,000	\$ (235,000)	\$ 480,000	\$ 240,000
Amount of issue - \$5,000,000						
Maturing through 2006						
Wayne County Sewage Disposal System Refunding Bonds - 1994	5.700% - 6.000%	\$175,000 - \$313,739	1,380,549	(313,740)	1,066,809	308,905
Amount of issue - \$3,825,500						
Maturing through 2008						
Less unamortized deferred amount on refunding			(53,799)	10,941	(42,858)	(10,941)
South Huron Valley Phase II Bonds - 1991	2.000%	\$150,368 - \$169,672	1,269,999	(148,336)	1,121,663	150,368
Amount of issue - \$2,597,912						
Maturing through 2011						
SHVUA Plant Expansion Bonds - 1998	2.250%	\$373,504 - \$527,106	7,451,367	(363,803)	7,087,564	373,504
Amount of issue - \$8,606,758						
Maturing through 2020						
Contractual obligations:						
DPW Building Installment Loan - 1998	4.800%	\$31,049 - \$53,553	432,044	(36,505)	395,539	38,296
Amount of issue - \$600,000						
Maturing through 2013						
EPA Judgment - Brownstown's Share Downriver Sewage Disposal System Bonds:						
SRF #1 Project 5117-02 - \$114,300; 2014	2.000%	\$5,266 - \$6,505	65,668	(5,266)	60,402	5,576
SRF #2 Project 5117-03 - \$877,052; 2015	2.000%	\$41,927 - \$53,731	572,692	(41,927)	530,765	42,859
SRF #5 Project 5117-15 - \$2,698,311; 2018	2.000%	\$120,954 - \$165,631	2,133,041	(121,095)	2,011,946	123,678
SRF #6 Project 5117-18,19,21 - \$192,776; 2017	2.000%	\$8,606 - \$10,242	138,472	(8,804)	129,668	8,804
EPA Judgment - Brownstown's Share Downriver Sewage Disposal System Bonds (Continued):						
SRF #7 Project 5117-23 - \$731; 2017	2.250%	\$33 - \$45	545	(33)	512	35
SRF #9 Project 5117-24, 31 - \$291,996; 2020	2.250%	\$3,051 - \$17,748	235,093	(12,855)	222,238	13,222
SRF #10 Project 5117-25, 32 - \$691,456; 2020	2.250%	\$2,374 - \$42,331	578,122	(41,954)	536,168	31,018
SRF #11 Project 5117-20 - \$4,313; 2020	2.250%	\$181 - \$271	3,795	(186)	3,609	186
SRF #12 1999 A & B Refunding - \$887,593; 2018	4.400%-5.125%	\$40,638 - \$61,537	772,455	(40,586)	731,869	42,405
SRF #13 Project 5117-01 - \$7,321; 2020	2.250%	\$325 - \$454	6,426	(5,291)	1,135	325
SRF #14 Project 5117-34 - \$315,567; 2021	2.500%	\$13,032 - \$19,859	290,433	(23,742)	266,691	13,343
Subtotal - EPA			4,796,742	(301,739)	4,495,003	281,451
Less current amount payable from restricted assets			(552,391)	(5,797)	(558,188)	(558,188)
Total business-type activities			\$ 15,439,511	\$ (1,393,979)	\$ 14,045,532	\$ 823,393

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 7 - Long-term Debt (Continued)

Component Unit	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Ending Balance	Due Within One Year
Downtown Development Authority:						
Downtown Development Bonds	Variable	\$680,000 - \$1,245,000	\$ -	\$ 15,000,000	\$ 15,000,000	\$ -
Amount of issue - \$15,000,000						
Maturing through 2022						

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 495,654	\$ 399,515	\$ 895,169	\$ 823,395	\$ 397,345	\$ 1,220,740	\$ -	\$ 419,368	\$ 419,368
2006	524,594	381,101	905,695	1,397,194	349,271	1,746,465	-	507,725	507,725
2007	558,701	362,858	921,559	1,153,751	305,560	1,459,311	680,000	495,883	1,175,883
2008	485,478	344,524	830,002	1,073,259	267,343	1,340,602	710,000	473,102	1,183,102
2009	524,937	324,075	849,012	929,107	234,390	1,163,497	740,000	448,258	1,188,258
2010-2014	2,906,474	1,253,231	4,159,705	4,378,401	830,110	5,208,511	4,175,000	1,844,208	6,019,208
2015-2019	2,475,000	606,643	3,081,643	3,735,557	324,240	4,059,797	5,105,000	1,105,977	6,210,977
2020-2022	1,350,000	97,200	1,447,200	554,868	13,363	568,231	3,590,000	230,175	3,820,175
Total	\$ 9,320,838	\$ 3,769,147	\$ 13,089,985	\$ 14,045,532	\$ 2,721,622	\$ 16,767,154	\$ 15,000,000	\$ 5,524,696	\$ 20,524,696

The Township has an additional liability of approximately \$404,065 recorded in the Tax Collection Fiduciary Fund for potential repayments to taxpayers as a result of the change in the State utility multipliers.

Advance and Current Refundings - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 2004, \$1,200,000 of bonds outstanding are considered defeased.

Note 8 - Land Held for Resale

During the year ended December 31, 2004, the Downtown Development Authority issued \$15,000,000 in bonds to purchase \$14,265,000 of land. Management anticipates this land will be sold to developers in conjunction with the Town Center Project and accordingly has been included as an asset in the Downtown Development Authority on the accompanying financial statements.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 9 - Restricted Assets

The balances of the restricted asset accounts reflected as business-type activities (Sanitary Sewer and Water Funds) are as follows:

Sanitary Sewer restricted assets:

Cash and cash equivalents (to repay debt):	
To repay South Huron Valley Phase II bonds	\$ 381,028
To repay SHVUA Plant Expansion bonds	126,371
Customer receivables	22,412
Prepaid and accrued interest	5,388
Downriver sewage disposal system - Assets held at the	
County for future EPA debt payments	647,726
South Huron Valley Utility Authority - Start-up costs	<u>10,000</u>
Total sanitary sewer restricted assets	1,192,925

Water restricted assets:

Cash and cash equivalents (for improvements) -	
Restricted for water capital improvements	465,035
Customer receivables	<u>17,401</u>
Total water restricted assets	<u>482,436</u>
Total restricted assets	<u><u>\$ 1,675,361</u></u>

Current liabilities to be paid from restricted assets of the sanitary sewer and water funds consist of the following:

Bond principal payments:

South Huron Valley Phase II bonds	\$ 150,368
SHVUA Plant Expansion bonds	126,370
EPA Sewage Disposal System bonds	281,450
Accrued interest	<u>32,973</u>
Total current liabilities payable	
from restricted assets	<u><u>\$ 591,161</u></u>

The component unit has recorded \$2,338,162 of restricted cash from bond proceeds to be used for the Town Center Project. Current liabilities to be paid from restricted assets of the component unit consist of \$2,073,948 in payables for land acquisition relating to the Town Center Project.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical benefits claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program and the Michigan Municipal Risk Management Authority (MMRMA) state risk pool program operate as common risk-sharing management programs for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. For the MMRMA program, a portion of the excess insurance coverage is underwritten by the Authority itself.

Note 11 - Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees who are at least 18 years of age and the Township contributes on behalf of the Township board through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried employees are eligible to participate the first of the month 30 days after hire. Union employees are eligible to participate the first of the month 90 days after hire. As established by the Township board, the Township contributes 11 percent to 15 percent of employees' base earnings for TPOAM union employees. In addition, the Township contributed 11 percent to 15 percent of base earnings for MAP union employees, 15 percent for COAM union employees, and 6 percent to 15 percent for IAFF fire department employees. TPOAM union employees, nonunion employees, and board members are required to contribute 5 percent of base earnings before taxes.

Also, 12 percent to 15 percent of base earnings is contributed for administrative nonunion personnel and board members. All participants may voluntarily contribute an additional amount, on an after-tax basis, not to exceed the Internal Revenue Service guidelines.

In accordance with these requirements, the Township contributed \$895,507 and employees contributed \$210,994.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 12 - Contingent Liabilities

The Township, along with several other communities in the downriver sewer system, was involved in litigation brought by the U.S. Environmental Protection Agency related to violations of the U.S. Clean Water Act. As a result of the violations, the communities are obligated to upgrade the system. The Township issued bonds of approximately \$6,341,000 in prior years to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, final completion bonds of approximately \$500,000 will be issued in the future.

Note 13 - Other Postemployment Benefits

The Township provides health care and life insurance benefits to retirees in accordance with labor contracts. The Township pays the full cost of coverage for these benefits. Currently, 15 retirees are eligible. The Township includes retirees and their dependents in its insured health care and life insurance plans, with no contribution required by the participant. Certain retirees who are not eligible for full coverage are reimbursed for Medicare premiums. Expenditures for postemployment health care and life insurance benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$117,000. The Township obtains health care coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 14 - Joint Ventures

The Township is a member of the 33rd District Court (the “Court”), which provides services to the member communities. The Court receives its operating revenue mainly from fines and fees, in addition to annual funding provided by member communities.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 14 - Joint Ventures (Continued)

During the current year, the Township contributed approximately \$793,000 for its operations. The Township received approximately \$959,000 in revenue from Court collections, net of the debt payments discussed below. Complete financial statements for the Court can be obtained from the administrative offices at 19000 Van Horn Road, Woodhaven, MI 48183. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating communities in the near future.

In a prior year, the member communities of the Court entered into an installment purchase agreement to finance an addition to the Court facility. Under the terms of the agreement, each community is obligated for a share of the annual debt service payment. This share is proportionate to each community's relative annual case load. The balance of the total debt was \$285,818 at December 31, 2004; of that total, the Township has recorded 35.37 percent, or \$101,094, as an offset to the Township's percentage of the assets of the Court. The Township's share of the obligation is subject to change each year based on case load. The Township's share decreased from 35.52 percent to 35.37 percent for the year ended December 31, 2004, resulting in a decrease of the Township's share of the obligation. Debt service payments of \$22,207 for interest and \$32,419 for principal were deducted from the Court revenue remitted to the Township. The Township's total interest in this joint venture (including the Township's share of working capital) is \$1,002,440.

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$826,308 toward the operation of the system. In addition, debt payments of \$703,712, including both principal and interest, were made to the Authority. The Authority also commenced an expansion project. The Township opted to pay their portion of \$3,985,518 from reserves versus participating in the Authority's debt issue. The Township's portion of the debt is recorded in the Township's Sewer Fund. The Township's share of the capital assets and net operating excess is also reflected in the Sewer Fund. The Township's interest in this joint venture is \$508,177. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Charter Township of Brownstown

Notes to Financial Statements December 31, 2004

Note 14 - Joint Ventures (Continued)

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$482,514 for operations of the system and \$429,188 for debt service. The Township's interest in this joint venture is \$154,729. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 12.

Required Supplemental Information

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,269,704	\$ 2,269,704	\$ 2,269,704	\$ -
Resources (Inflows)				
Property taxes	774,110	850,345	891,060	40,715
Federal sources	-	30,000	57,270	27,270
State sources	2,541,345	2,304,345	2,294,043	(10,302)
Fees and permits	1,447,400	1,602,400	1,665,166	62,766
Fines and forfeitures	950,600	950,600	959,869	9,269
Charges for services	627,000	712,000	698,339	(13,661)
Interest income	50,500	37,500	35,623	(1,877)
Special assessments	561,500	750,500	755,064	4,564
Other	108,450	128,450	131,559	3,109
Transfer from other funds	567,652	566,974	566,974	-
Total resources (inflows)	7,628,557	7,933,114	8,054,967	121,853
Charges to Appropriations (Outflows)				
General government:				
Legislative	72,976	72,976	67,538	5,438
District court	800,000	800,000	792,563	7,437
Executive	214,234	207,159	201,544	5,615
Elections	125,468	111,968	108,370	3,598
Accounting	182,937	183,520	179,353	4,167
Assessor	207,739	199,019	197,631	1,388
Legal	47,000	40,000	31,976	8,024
Clerk	210,736	218,341	278,962	(60,621)
Treasurer	191,171	192,926	187,976	4,950
Tax collection	84,234	86,153	79,984	6,169
Board of Review	3,540	4,540	2,809	1,731
Personnel	119,945	120,800	120,929	(129)
Nondepartmental	302,862	208,050	102,336	105,714
Public safety - Animal control	150,860	145,360	143,419	1,941
Community and economic development:				
Building and grounds	92,000	112,000	107,910	4,090
Flood control	10,000	-	-	-
Public works	403,200	403,200	383,061	20,139
Community development	929,149	1,132,024	1,103,840	28,184
Planning	44,700	124,700	107,722	16,978
Zoning Board	11,800	22,800	19,317	3,483
Architectural Review Board	4,952	4,952	4,320	632
Sanitation	460,000	778,000	779,843	(1,843)
Economic opportunity	132,853	212,853	210,944	1,909
Recreation and culture:				
Recreation	561,465	620,614	614,133	6,481
Parks	189,829	203,379	202,038	1,341
Library	15,000	56,000	45,969	10,031
Beautification commission	12,069	12,069	9,552	2,517
Historical commission	1,506	1,506	216	1,290
Community center	204,324	226,586	229,274	(2,688)
Employee benefits and insurance	41,500	65,700	65,174	526
Transfer to other funds	1,809,054	2,088,833	2,088,532	301
Total charges to appropriations (outflows)	7,637,103	8,656,028	8,467,235	188,793
Fund Balance - End of year	\$ 2,261,158	\$ 1,546,790	\$ 1,857,436	\$ 310,646

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Police Operation Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	4,016,385	3,818,606	3,810,075	(8,531)
Interest income	13,000	13,000	8,469	(4,531)
Other	366,500	366,500	439,047	72,547
Transfer from other funds	608,980	928,621	1,004,072	75,451
Total resources (inflows)	5,004,865	5,126,727	5,261,663	134,936
Charges to Appropriations (Outflows)				
Public safety - Police	4,901,464	4,973,326	5,139,288	(165,962)
Transfers to other funds	103,401	153,401	122,375	31,026
Total charges to appropriations (outflows)	5,004,865	5,126,727	5,261,663	(134,936)
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Protection Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Property taxes	1,501,531	1,411,393	1,408,104	(3,289)
Federal sources	-	-	2,495	2,495
Interest income	2,500	2,500	1,567	(933)
Other	575,000	575,000	645,298	70,298
Transfer from other funds	<u>1,131,684</u>	<u>1,221,822</u>	<u>1,078,410</u>	<u>(143,412)</u>
Total resources (inflows)	3,210,715	3,210,715	3,135,874	(74,841)
Charges to Appropriations (Outflows)				
Public safety - Fire	3,136,713	3,130,713	3,058,296	72,417
Transfers to other funds	<u>74,002</u>	<u>80,002</u>	<u>77,578</u>	<u>2,424</u>
Total charges to appropriations (outflows)	<u>3,210,715</u>	<u>3,210,715</u>	<u>3,135,874</u>	<u>74,841</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Township of Brownstown

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Capital Improvement Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 548,458	\$ 548,458	\$ 548,458	\$ -
Resources (Inflows)				
Interest income	5,000	5,000	4,487	(513)
Other	<u>6,000</u>	<u>10,000</u>	<u>10,706</u>	<u>706</u>
Total resources (inflows)	11,000	15,000	15,193	193
Charges to Appropriations (Outflows)				
Community maintenance and development	9,400	9,400	5,492	3,908
Capital outlay	<u>77,850</u>	<u>212,850</u>	<u>202,350</u>	<u>10,500</u>
Total charges to appropriations (outflows)	<u>87,250</u>	<u>222,250</u>	<u>207,842</u>	<u>14,408</u>
Fund Balance - End of year	<u><u>\$ 472,208</u></u>	<u><u>\$ 341,208</u></u>	<u><u>\$ 355,809</u></u>	<u><u>\$ 14,601</u></u>

Charter Township of Brownstown

Note to Required Supplemental Information Year Ended December 31, 2004

Budgetary Information - The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following is a summary of the requirements of this Act according to the State Treasurer's Bulletin for Audits of Local Units of Government in Michigan dated April 1982:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. Budgeted expenditures cannot exceed budgeted revenues and fund balance.
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The Township adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets adopted by the Township board is included as required supplemental information. This comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns, to the nonmajor fund budgets as adopted by the Township board is available at the clerk's office for inspection.

The Township follows these procedures in establishing the budgetary date reflected in the financial statements:

1. The Township supervisor, on or before 60 days prior to the commencement of the fiscal and budgetary year (January 1), shall prepare and submit to the board a complete itemized proposed budget for the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the board shall direct, and notice of such public hearing shall be published at least 30 days in advance thereof by the clerk.
3. The board shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

Charter Township of Brownstown

Note to Required Supplemental Information (Continued) **Year Ended December 31, 2004**

The annual budget is prepared by the Township management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers to/from other funds have been included in revenue and expenditures, rather than as an other financing source (use).

The budget statements are presented on the same basis of accounting used in preparing the adopted budget.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Charter Township of Brownstown incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended Budget	Actual	Variance
General Fund:			
Clerk	\$ 218,341	\$ 278,962	\$ (60,621)
Personnel	120,800	120,929	(129)
Sanitation	778,000	779,843	(1,843)
Community center	226,586	229,274	(2,688)
Police Operation Fund - Public safety - Police	4,973,326	5,139,288	(165,962)

The unfavorable clerk expenditure variance in the General Fund was caused by additional severance pay expenditures during the year. The unfavorable personnel, sanitation, and community center expenditure variances in the General Fund were caused by unanticipated expenditures that became necessary during the year. The unfavorable public safety expenditure in the Police Operation Fund was caused by an additional liability related to retroactive wages payable resulting from union negotiations.

Other Supplemental Information

Charter Township of Brownstown

Special Revenue

	CDBG	Police Improvement	Fire Improvement	Road Improvement	Drug Forfeiture
Assets					
Cash and investments	\$ -	\$ 122,041	\$ 291,605	\$ 693,943	\$ 123,856
Receivables - Net	62,617	239,758	229,707	240,961	-
Prepaid costs and other assets	-	-	-	-	-
Total assets	<u>\$ 62,617</u>	<u>\$ 361,799</u>	<u>\$ 521,312</u>	<u>\$ 934,904</u>	<u>\$ 123,856</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 62,617	\$ 2	\$ 2	\$ 71,443	\$ -
Escrow funds	-	-	-	115,000	-
Deferred revenue	<u>52,375</u>	<u>301,850</u>	<u>301,850</u>	<u>322,810</u>	<u>-</u>
Total liabilities	114,992	301,852	301,852	509,253	-
Fund Balances					
Reserved for construction	-	-	-	261,010	-
Unreserved:					
Designated for subsequent year's budget	-	-	66,822	-	-
Undesignated	<u>(52,375)</u>	<u>59,947</u>	<u>152,638</u>	<u>164,641</u>	<u>123,856</u>
Total fund balances	<u>(52,375)</u>	<u>59,947</u>	<u>219,460</u>	<u>425,651</u>	<u>123,856</u>
Total liabilities and fund balances	<u>\$ 62,617</u>	<u>\$ 361,799</u>	<u>\$ 521,312</u>	<u>\$ 934,904</u>	<u>\$ 123,856</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004**

Funds		Debt Service Funds		Total Nonmajor Governmental Funds
Housing Assistance	Retiree Insurance	Debt Service	Building Authority	
\$ 35,806	\$ 952,236	\$ 250	\$ -	\$ 2,219,737
-	-	-	-	773,043
-	1,171	-	-	1,171
\$ 35,806	\$ 953,407	\$ 250	\$ -	\$ 2,993,951
\$ -	\$ -	\$ 250	\$ -	\$ 134,314
-	-	-	-	115,000
35,806	-	-	-	1,014,691
35,806	-	250	-	1,264,005
-	-	-	-	261,010
-	-	-	-	66,822
-	953,407	-	-	1,402,114
-	953,407	-	-	1,729,946
\$ 35,806	\$ 953,407	\$ 250	\$ -	\$ 2,993,951

Charter Township of Brownstown

	Special Revenue				
	CDBG	Police Improvement	Fire Improvement	Road Improvement	Drug Forfeiture
Revenue					
Property taxes	\$ -	\$ 272,903	\$ 272,903	\$ 272,903	\$ -
Federal sources	40,915	59,485	-	-	-
Interest income	-	981	5,265	6,912	1,389
Debt charges	-	-	-	-	-
Other	-	14,899	-	22,183	98,936
Total revenue	40,915	348,268	278,168	301,998	100,325
Expenditures					
Current:					
Public safety	-	-	-	-	47,558
Community maintenance and development	93,290	-	-	-	-
Employee benefits and insurance	-	-	-	-	-
Other	-	-	-	78	-
Capital outlay	-	217,896	172,728	568,626	-
Debt service	-	-	-	-	-
Total expenditures	93,290	217,896	172,728	568,704	47,558
Excess of Revenue Over (Under)					
Expenditures	(52,375)	130,372	105,440	(266,706)	52,767
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(150,000)	(291,415)	(373,675)	(71,995)
Total other financing sources (uses)	-	(150,000)	(291,415)	(373,675)	(71,995)
Net Change in Fund Balances	(52,375)	(19,628)	(185,975)	(640,381)	(19,228)
Fund Balances - Beginning of year	-	79,575	405,435	1,066,032	143,084
Fund Balances - End of year	<u>\$ (52,375)</u>	<u>\$ 59,947</u>	<u>\$ 219,460</u>	<u>\$ 425,651</u>	<u>\$ 123,856</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2004

Funds			Debt Service Funds		Total Nonmajor Governmental Funds			
Housing Assistance	Retiree Insurance	Debt Service	Building Authority					
\$	-	\$	-	\$	-	\$	818,709	
	-		-		-		100,400	
	75		7,255		-		21,877	
	-		-		112,499		527,217	639,716
	-		-		-		-	136,018
	75		7,255		112,499		527,217	1,716,720
	-		-		-		-	47,558
	75		-		-		-	93,365
	-		117,178		-		-	117,178
	-		-		-		-	78
	-		-		-		-	959,250
	-		-		360,615		527,217	887,832
	75		117,178		360,615		527,217	2,105,261
	-		(109,923)		(248,116)		-	(388,541)
	-		313,255		248,116		-	561,371
	-		-		-		-	(887,085)
	-		313,255		248,116		-	(325,714)
	-		203,332		-		-	(714,255)
	-		750,075		-		-	2,444,201
\$	-	\$	953,407	\$	-	\$	-	\$ 1,729,946

Charter Township of Brownstown

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds December 31, 2004

	Agency Funds		
	School and County	Tax Collection	Totals
Assets - Cash and investments	<u>\$ 12,101</u>	<u>\$ 2,401,463</u>	<u>\$ 2,413,564</u>
Liabilities - Due to other governmental units	<u>\$ 12,101</u>	<u>\$ 2,401,463</u>	<u>\$ 2,413,564</u>



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

March 24, 2005

To the Board of Trustees
Charter Township of Brownstown
21313 Telegraph Road
Brownstown, MI 48183

Dear Board Members:

We recently completed the audit of the financial statements of the Charter Township of Brownstown for the year ended December 31, 2004. We would like to take this opportunity to compliment your staff and management for the overall positive condition of the financial records and related documentation. As part of the audit, we offer the following comments and recommendations for your consideration.

FINANCIAL CONDITION

The Township continues to maintain an appropriate level of fund balance, which is critical to maintaining cash flow and hedging against unforeseen expenses. As of December 31, 2004, the General Fund's undesignated fund balance is \$1,380,000. As you know, a general rule of thumb as to an adequate level of fund balance is to maintain a fund balance of at least 10 percent to 20 percent of one year's worth of expenditures. The current undesignated fund balance, when compared to annual expenditures of the General Fund (including total expenditures of the Police and Fire Fund) is 9 percent.

Given the uncertain economic times and the struggles that some of the older, more built-up communities are facing, the Township should consider developing a 5- or 10-year financial projection. This projection would serve as a management tool for decision-making related to facilities, staffing, etc. Projecting the extent to which the impact of flat or decreasing state-shared revenue, lowered investment earnings, and increasing expenditures such as health care may be offset with the growing property tax base would be helpful for future spending decisions.

ACCOUNTING AND AUDITING ITEMS

Town Center Project

In December 2004, the Township's Downtown Development Authority (DDA) issued \$15 million in bonds for the purchase of land to be used for the development of a downtown area. The DDA balance sheet now includes both the \$15,000,000 in debt, along with an asset of \$14,265,000 representing the land held for resale.

Also, as of December 31, 2004, approximately \$2.3 million of the bond proceeds remained unspent. This amount has been reflected as a restricted asset in the DDA.

Internal Control Considerations

In any organization, achieving the optimal level of segregation of duties is difficult at best and often involves cost versus benefit decisions. Nevertheless, we would like to take this opportunity to remind you of the importance of maintaining offsetting controls in your system. We offer the following items for your consideration regarding the internal control structure:

- During our testing of the Township's cash disbursement system, we noted a disbursement which, according to the Township's newly adopted purchasing policy, would have required a purchase order and the solicitation of three bids prior to the actual purchase. The purchase order was not prepared and bids not solicited. We encourage the Township to follow the purchasing policy, including purchase orders and proper bid solicitation. This will help to ensure that expenditures are properly approved and within budget.
- During our review of the Township's bank reconciliation process, several of the months selected for testing did not have formal documentation of review. We encourage the accounting department to initial or sign off on bank reconciliations as documentation of review.
- We suggest that the Township assign meter readers to sections of the Township on a rotating basis in order to avoid continuously reading the same section.
- We noted that only one signature is required on checks. In order to document the segregation of duties between the preparer and signer of checks, we suggest someone from the Clerk's office initial the check register as documentation of approval before the checks are sent to the Treasurer's office for payment.
- We noted security deposit liabilities in the Sewer Fund which have been outstanding for five years or greater. Although the amounts are not significant to the Township's financial statements, we nevertheless encourage the Township to research the propriety of these deposits. Amounts may ultimately need to be refunded or recorded as revenue in the Township's Sewer Fund.
- During our review of the Township's community center and police department cash receipt controls, it was noted that pre-numbered cash receipts are used for cash collections. We recommend that, as an added control, the numerical sequencing of these receipts be reviewed on a regular basis.

LEGISLATIVE UPDATES

Revenue Sharing

State-shared revenue accounts for approximately 31 percent of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue-sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue-sharing line item in the State's budget, revenue-sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state-shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the governor's budget for the State's 2004/2005 fiscal year contained a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple-year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue-sharing payments to cities, villages, and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the governor in early 2005). Also, during October 2004, the governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to the State's tax structure, we continue to urge the Township to be very conservative in its estimation of state-shared revenue as this line item in the State's budget remains vulnerable.

The table below details state-shared revenue actually received by the Township over the past four years broken out by statutory and constitutional portions. In many cases, these actual receipts were less than initial projections received from the State. In addition, it details the total decrease in state-shared revenue experienced by the Township compared to the State's fiscal year 2001. The cumulative reduction figure of \$1,238,217 represents the difference between the three years subsequent to 2001 being at \$2,979,133 versus the actual amounts paid for those years.

State Fiscal				Change	
<u>Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	from Prior	<u>Cumulative</u>
				<u>Year</u>	<u>Reduction</u>
2001	\$1,487,327	\$1,491,806	\$2,979,133	N/A	N/A
2002	1,283,280	1,507,003	2,790,283	(\$188,850)	(\$188,850)
2003	1,052,812	1,532,516	2,585,328	(204,955)	(582,655)
2004	807,701	1,515,870	2,323,571	(261,757)	(1,238,217)

We will continue to update the Township as developments occur.

Property Assessment Cap

As you may recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is as follows:

2004	2.3%
2003	1.5%
2002	3.2%
2001	3.2%
2000	1.9%
1999	1.6%
1998	2.7%
1997	2.8%
1996	2.8%
1995	2.6%
1994	3.0%

Property taxes are one of the Township's largest sources of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is performing long-term financial planning.

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the Township. In general terms, if growth on the Township's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the Township to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the Township's existing property tax base was less than inflation, the Headlee Amendment allowed the Township to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back". However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the Township is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended December 31, 2004, the Township's Headlee maximum property tax rate for its operating levy was 0.873 mills even though Township Charter would allow the Township to levy 1.0 mill for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated by a recent study published by the Michigan Municipal League (with the participation of the Michigan Townships Association and the Michigan Association of Counties), due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), the downward pressure on millage rates will continue, particularly given the significant gap that now exists between taxable value and state equalized value.

Refuse Disposal

SB 721 was introduced which would assess a \$3 per ton tipping fee at landfills, which could increase the cost of refuse disposal for local governments. The monies generated from this legislation are intended to be used by the State for recycling.

Health Care Costs

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB 43 and 45 address the accounting and disclosures related to postemployment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. Starting in fiscal year 2007, the Township will be required to measure its retiree health care liability through actuarial valuations that are to be performed biennially. These valuations will compute an "annual required contribution." The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less. The Township currently has funds of \$953,000 set aside in the Retiree Health Care Fund to help offset this liability. We commend the Township for having the foresight to begin pre-funding this liability.

It is our understanding that the State of Michigan may be offering local governments the opportunity to participate in the State's prescription drug program. A presentation was made in September 2004 to introduce this program to local governments. While we have not evaluated the program, the Township may want to consider this option as it evaluates and continues to try to control its health care costs.

In addition, the Municipal Employees Retirement System of Michigan (MERS) recently introduced health care plans for both retirees and active employees. The Township should explore various options in the area of funding retiree health care to minimize the impact on the Township's finances.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end (June 30, 2005) and is good for one year thereafter. The Township should consider the need to file a qualifying statement for each of its component units, such as the Building Authority and the Downtown Development Authority.

We appreciate the assistance and cooperation we have received from all the Township officials and the staff during the course of our examination. If any questions arise on reviewing the financial statements or the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations.

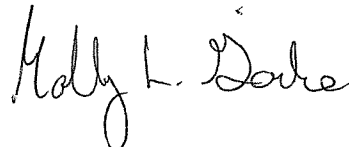
Thank you for the continued opportunity to be of service.

Very truly yours,

Plante & Moran, PLLC



Beth A. Bialy



Molly L. Goike